

DEPARTMENT OF TRANSPORTATION

DIVISION OF LOCAL ASSISTANCE – M.S. 1

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January 17, 2007

To: Metropolitan Planning Organizations
Regional Transportation Planning Agencies
Local Transportation Commissions
Public Works Directors of All Cities and Counties in California

Dear Executive Director:

Subject: Quarterly Review of Inactive Obligations – Quarter Ending on December 31, 2006

The California Department of Transportation (Caltrans) has started the review process for quarterly review of inactive obligations for the quarter period from October 1, 2006 to December 31, 2006 as required under CFR 630.106. To prevent deobligation and/or loss of unexpended federal funds, the Local Agencies must do the following:

1. Review the list of currently inactive obligations available on the Division of Local Assistance website at <http://www.dot.ca.gov/hq/LocalPrograms/QuarterlyReviewofInactiveProjects.htm>
2. Submit complete and correct invoice for eligible expenditure to Caltrans Local Program Accounting by February 9, 2007.
3. Identify unneeded project funds and submit deobligation requests to the District Local Assistance Engineer (DLAE) by March 1, 2007. Process project final closeout, if applicable.
4. Submit complete justification form (available on the website) along with all backup documentation to DLAE by March 1, 2007 for projects that do not have eligible expenditures to be invoiced or do not have unneeded funds to be deobligated.

The review of inactive obligations is performed each quarter. At the end of each review period, Caltrans meets with the Federal Highway Administration (FHWA) to review all the inactive obligations. Projects without financial transaction (invoice or deobligation) in FHWA's database (FMIS) would require a justification form to explain the delays in billing federal fund. If FHWA does not accept the justification provided by the Local Agency, the unexpended federal fund would be deobligated and Local Agency might be required to repay any federal fund received to date.

Local Agencies that have indirect cost rate proposal awaiting approval by the Caltrans' Division of Audits should continue to submit invoices for eligible direct cost until the indirect cost rate proposal is approved.

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In addition to the currently inactive local projects, a "Look Ahead Report" is also available on the website. The Look Ahead Report includes projects that will become inactive by end of March 2007 and by end of June 2007 if no expenditures are billed. This report provides an opportunity for Local Agencies to be proactive in preventing projects from becoming inactive and the potential loss of federal funds.

Please work with your District and Local Agencies to ensure all the inactive projects are made active by either invoicing or de-obligating excess funds. Our goal is to prevent projects from becoming inactive and not have to depend on FHWA approval of a justification to keep the project from being de-obligated.

If you have any questions regarding the quarterly review process, please contact your DLAE.

Sincerely,



TERRY L. ABBOTT
Chief
Division of Local Assistance

c: District Local Assistance Engineers
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